



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

RQ-2

December 8, 2006

Jan Churchhill, Treasurer
Nevada State Democratic Party
409 Horn Street
Las Vegas, NV 89107

Response Due Date:
January 9, 2007

Identification Number: C00208991

Reference: Amended August Monthly Report (7/1/06 – 7/31/06), received 9/20/06

Dear Ms. Churchill:

This letter is prompted by the Commission's preliminary review of the report(s) referenced above. This notice requests information essential to full public disclosure of your federal election campaign finances. **An adequate response must be received at the Commission by the response date noted above.** An itemization of the information needed follows:

-Schedule A supporting Line(s) 11(c) of your report discloses a receipt(s) from Friends for Harry Reid which requires further clarification. For example, if this activity represents a transfer of funds, please indicate "transfer" on Schedule A supporting Line 11(c) of your report. If this activity represents a reimbursement for services provided to this committee, please indicate this on Schedule A supporting Line 15 of your report. Please amend your report to clarify the type of activity this receipt(s) represents.

-Schedule H3 of your report discloses a transfer(s)-in totaling \$24,900 from the NDP Non-Federal Levin account for administrative expenses. Further, Schedule L-B of your NDP Non-Federal Levin account discloses a transfer-out of this same amount as an "Administrative Transfer." Please be advised that 11 CFR §300.33(d) permits a committee to pay the entire amount of allocable expenses for Federal Election Activity from the federal account and transfer Levin funds from its Levin or non-federal accounts to the federal account solely to cover the Levin portion of the allocable expenses. Further, administrative expenses do not qualify as federal election activities that may be allocated between your federal and Levin or non-federal accounts.

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If the transfer(s) in question was incompletely or incorrectly disclosed, you should amend your original report with clarifying information. If you have made a prohibited transfer(s), you must transfer-out the impermissible funds to an account not used to influence federal elections.

Please inform the Commission of your corrective action immediately in writing and provide a photocopy of your check for the transfer-out or refund. In addition, any transfers-out should be disclosed on Schedule B supporting Line 22 of the report covering the period during which the transaction was made.

Although the Commission may take further legal action concerning the acceptance of prohibited transfers, prompt action by your committee to transfer-out the amount will be taken into consideration.

-Schedule L of your report discloses "Non-Federal Levin" as the name of account for your Levin funds, which appears to be an account that functions as both a non-federal account and a Levin account. In addition, Schedule L-B of your report discloses the disbursement of Levin funds. Pursuant to 11 CFR §300.30(c)(3)(ii), if an account that functions as both a non-federal account and a Levin account is used, you must demonstrate through a reasonable accounting method approved by the Commission that whenever a disbursement of Levin funds is made, you have received sufficient contributions or Levin funds to make such a disbursement. Please provide clarifying information regarding your accounting method. Please note that it may be necessary to petition the Commission in the form of an Advisory Opinion request.

-Schedule A supporting Line 12 discloses a transfer(s)-in from Democratic National Committee and Democratic Senatorial Campaign Committee. Schedule H6 supporting Line 30(a) reflects payments for Federal Election Activity. Please be advised that under 11 CFR §300.34, a state, district or local party committee must not use any Federal funds transferred to it from a national party committee or any other State, district or local party committee, as the Federal component of an expenditure or disbursement for Federal Election Activity. Furthermore, your committee must itself raise the Federal component of expenditure or disbursement allocated between Federal and Levin funds.

Please clarify whether the transfer(s)-in was used for the subsequent payments for Federal Election Activity. In addition, please clarify the procedures you are currently using to ensure that Federal funds transferred

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to your committee from national, state, district and local party committees are not being used for Federal Election Activity.

-Itemized disbursements must include a brief statement or description of why the disbursements were made. Please amend Schedule(s) L-B of your report to clarify the following description(s): "Mapping." For further guidance regarding acceptable purposes of disbursements, please refer to 11 CFR §104.3(b)(3).

-Schedule H6 of your report discloses disbursements which use a ratio that is inconsistent with the ratio disclosed on Schedule H1 for the 2006 election cycle. The fixed ratio for the allocation of Federal Election Activity expenses should be the same for the full two-year election cycle. Please amend your report to clarify this apparent discrepancy.

Please note that if your non-federal or Levin account has overpaid your federal account because of this miscalculation, it will be necessary to immediately transfer these funds back to the non-federal or Levin account. While the Commission may take further legal action concerning any impermissible overpayments by the non-federal or Levin account, your prompt action will be taken into consideration.

-On Schedule L-B supporting Lines 4(b) and 4(c) of the Schedule L Aggregation Page for the Non-Federal Levin account, you have failed to include the purpose of disbursement for several payments to various vendors. Please amend your report to include this missing information.

-On Schedule H6 supporting Line 30(a) of the Detailed Summary Page, you have failed to include the purpose of disbursement for the payment made to "Julianmulvey.com." Please amend your report to include this missing information.

-Schedule H4 of your report discloses a payment(s) for "Voter file maintenance." Please be advised that 11 CFR §100.24(b) defines as Federal Election Activity, Voter identification, Generic Campaign and Get-out-the vote activities conducted in connection with an election in which one or more candidates for Federal office appear on the ballot. Furthermore, the costs for these types of Federal Election Activity must either be paid with federal funds or can be allocated between federal and Levin funds as long as the activity conducted does not refer to a clearly identified candidate for Federal office. It appears that you have allocated these costs between federal and non-federal funds. Any reimbursement from your

committee's non-federal account for Federal Election Activity costs is not permissible and must be returned. 11 CFR §§300.32 and 300.33

Please inform the Commission of your corrective action immediately or provide clarifying information regarding this activity. Although the Commission may take further legal action regarding this apparent prohibited activity, your prompt action will be taken into consideration.

-Schedule H4 supporting Line 21(a) of your report discloses a payment(s) for "Salary". Please be advised that pursuant to 11 CFR §300.33(c)(2), salaries and wages for employees who spend more than 25% of their compensated time in a given month on Federal election activity (FEA) or activities in connection with a Federal election must not be allocated between or among federal and non-federal accounts. Rather, only federal funds may be used. Further, the Commission concluded in Advisory Opinion 2003-11 that amounts spent for employee-specific "fringe benefits," consisting of health insurance, disability insurance, life insurance, retirement benefits and payroll taxes, fall into the category of compensated time.

Please clarify whether this activity is for employees who spent 25% or less of their time during the month(s) referenced above on FEA or activities in connection with a Federal election. If this is not the case, any reimbursement from your committee's non-federal account for this payment is not permissible and must be returned. Although the Commission may take further legal action regarding any improper allocation activity, your prompt action will be taken into consideration.

Please note, you will not receive an additional notice from the Commission on this matter. Adequate responses received on or before this date will be taken into consideration in determining whether audit action will be initiated. **Requests for extensions of time in which to respond will not be considered.** Failure to provide an adequate response by this date may result in an audit of the committee. Failure to comply with the provisions of the Act may also result in an enforcement action against the committee. Any response submitted by your committee will be placed on the public record and will be considered by the Commission prior to taking enforcement action.

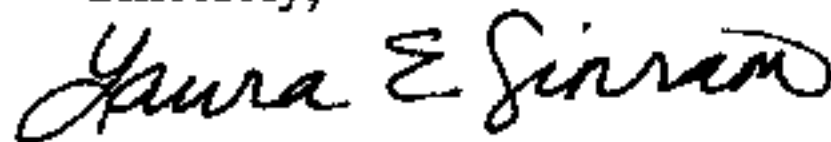
Electronic filers must file amendments (to include statements, designations and reports) in an electronic format and must submit an amended report in its entirety, rather than just those portions of the report that are being amended. If you should have any questions regarding this matter or wish to verify the adequacy of your response, please

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contact me on our toll-free number (800) 424-9530 (at the prompt press 5 to reach the Reports Analysis Division) or my local number (202) 694-1157.

Sincerely,



Laura E. Sinram
Campaign Finance Analyst
Reports Analysis Division

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